



Field Advisory Services (FAS)

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High Deductible Health Plans Provide a New Option

Benefits and Entitlements

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The Federal Employees Health Benefits (FEHB) Program will offer 18 high deductible health plans (HDHPs) in 2005. These health plans work together with a health savings account (HSA), or a health reimbursement arrangement (HRA) if the individual, typically a retiree, is ineligible for an HSA.

HSAs became available to Federal employees with the enactment of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, Section 1201 (Public

Law 108-173, 117 Stat. 2469 (December 8, 2003)). They provide a tax-advantaged savings vehicle for the purpose of paying for medical expenses. Each part of this new option—an HDHP plus an HSA or an HRA—will be explained in turn.

The first part of this option, an HDHP, is intended to cover serious illness or injury. The annual deductible must be met before health plan benefits are paid, with the exception of preventive care.

The second part of this option is either an HSA or an HRA. An HSA is an employee-

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CPMS Offers Benefits, Retirement Courses in 2005

Benefits and Entitlements

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CPMS will offer the following courses in Arlington, VA, unless otherwise noted.

Applied Benefits Workshop. This four-day course is an advanced workshop in the following modules: Creditable Civilian Service and Retirement Coverage Determinations, Work Life and Transition, Annuity Computations, Firefighter and Law Enforcement Program, and Reemployed Annuitants. This course may be designed for on-site presentation using all or selected modules (February 15-18; June 21-24 in Southbridge, MA; and September 12-15).

Benefits for Staffers. This three-day course provides Federal benefit and retirement program information plus hands-on experience with issues applicable to providing staffing support (January 25-27; May 17-20 in Southbridge, MA; and September 20-22).

Retirement Coverage Determinations and Federal Erroneous Retirement Coverage Corrections Act (FERCCA). This three-day course is designed to help human resources

specialists understand retirement coverage determinations. The course covers the history of the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS), the five-year test, and significant court cases concerning retirement coverage. The course also provides detailed instruction on the Social Security Amendments of 1983, auditing for coverage errors, and corrections of those errors (March 16-18; and July 12-15).

Retirement Systems and Benefits Programs.

This four-day course provides a basic overview of the FEHB and Federal Employees Group Life Insurance (FEGLI) programs, the Thrift Savings Plan (TSP), and FERS and CSRS as well as a comprehensive study of retirement coverage determinations (December 7-10, 2004; April 12-15 in Southbridge, MA; and August 16-19).

There are no course fees, but the participant's organization is responsible for travel and per diem costs. Participants may register at http://www.cpms.osd.mil/fas/benefits/pdf/fas_course_reg.html.



The Montgomery County, Maryland, swim league "has about 90 teams," says Wage and Salary Division's Karl Fendt (see article, page 6).



High Deductible Health Plans Provide a New Option in 2005

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owned account for the purpose of paying qualified medical expenses for self, spouse, and dependents. The annual maximum HSA contribution (i.e., the employee's maximum voluntary contribution plus the health plan "premium pass through") is established by law and generally cannot exceed the HDHP deductible. The "premium pass through" is a portion of the total premium the health plan determines it will deposit in the individual's HSA. The employee's or retiree's voluntary contribution is tax deductible (applies with either itemized or standard deduction), and the health plan's "premium pass through" is not taxed.

Withdrawals from an HSA for qualified medical expenses are tax-free. Additionally, tax-free interest accrues on the HSA balance. Unused funds and interest carry over without limit from year to year. HSAs are portable, so that the employee continues to own the HSA even after retiring, leaving the Federal government, or changing health plans. Funds are held with a qualified trustee or custodian selected by the employee. Withdrawals for items other than qualified health expenses are subject to income tax,

plus an additional 10 percent penalty on amounts withdrawn before age 65.

Section 1201 of Public Law 108-173 provides that individuals are ineligible for an HSA if they:

- Are enrolled in Medicare;
- Are enrolled in a general health care flexible spending account (FSA) or covered by a spouse's FSA;
- Are covered by another health care plan that is not an HDHP (e.g., TRICARE and TRICARE for Life);
- Are covered by Veterans Affairs (VA) benefits and have used VA medical services in the previous three months; or
- Can be claimed as a dependent on someone else's tax return.

These individuals will be enrolled in a health reimbursement arrangement (HRA), which is a savings credit for health care expenses that works hand-in-hand with an HDHP. HRAs do not earn interest and do not allow tax-deductible contributions to the individual's account. Funds may not be withdrawn for non-medical purposes. The HRA account is forfeited if the employee leaves the sponsoring health plan or the Federal government (except for retirement).



The new health care plan option gives employees more discretion over health care spending.

To learn more about HDHPs, visit OPM's web site, <http://www.opm.gov/hsa/>. Additional information will be provided during the FEHB Open Season (November 8 through December 13, 2004) in the *2005 Guide to FEHB Plans* and individual HDHP brochures.

Federal Workforce Flexibility Act of 2004 Makes Changes

Classification and Pay

[E-mail us](#)

The Federal Workforce Flexibility Act of 2004, Public Law 108-411 (October 30, 2004), made several changes in pay and leave policies. Two statutory provisions became effective on that date:

- OPM oversight for agency use of critical pay authority (previously, the Office of Management and Budget was primarily responsible); and
- Higher annual leave accrual rate of eight hours per full biweekly pay period for Senior Executive Service members and other senior employees (ST and SL), and for employees in equivalent pay systems when OPM authorizes coverage. Equivalent pay systems include the Defense Intelligence Senior Executive Service, DoD highly qualified experts paid under 5 U.S.C. 9303 (b), and Defense Intelligence Senior Level employees paid under 10 U.S.C. 1602.

The Act also made changes that will become effective in

2005. OPM will issue regulations implementing the changes, no later than the dates in parentheses:

- Compensatory time off for travel outside normal duty hours (January 28);
- Potentially higher annual leave accrual rate for new appointees, depending on their prior non-Federal work experience (April 28);
- Larger and more flexible recruitment, retention, and relocation bonuses (May 1); and
- Modifications to 5 U.S.C. chapter 53 in order to eliminate anomalies resulting from the interaction of special rates, locality pay, and retained rates and the current application of complex pay administration rules (May 1).

Additional information is contained in OPM's November 1, 2004, memorandum, subject: Federal Workforce Flexibility Act of 2004, which is posted on the CPMS web site, www.cpms.osd.mil/fas/pay/pdf/flex_act.pdf.



Data Codes Explained for Annual Official Time Report

Labor and Employee Relations

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It's that time of year when OPM comes to the Department of Defense (DoD) and other Agencies with the question: How much official time did union officials use during the previous fiscal year? OPM generally asks for a single Departmental response by the end of January. As such, the CPMS Labor and Employee Relations Branch will soon be asking for data to be submitted via the Component Human Resources chain using the payroll system codes below.

BA – Term Negotiations: Time spent by union officials involved in basic term negotiations with management on a new or expiring contract (i.e., time actually at the table plus any previously agreed-upon preparation time for negotiations).

BD – Labor-Management Relationships: Previously agreed-upon time spent by union officials for representational duties that do not fit in other categories (e.g., labor-management meetings, approved union training as defined in the contract, attendance at formal discussions, or other representational matters).



BK – Grievances and Appeals: Time spent by union officials to prepare and/or present the union's or the employee's case in a grievance or appeal, as well as time spent by the grievant/appellant and any bargaining unit employee (including a union official) serving as a witness in a grievance or appeal.

BB – Mid-Term Negotiations: Time spent by union officials to negotiate changes to conditions of employment proposed by management or issues raised by the union during the term of the agreement.

The cooperation of supervisors and line managers is critical for the Department to collect meaningful data. Supporting human resources offices should seek to ensure that, when supervisors

and line managers record time and attendance for payroll purposes, they also account for all official time used by bargaining unit employees for union-related activities.

The requirement to account for official time usage applies to union-related activities performed on a full-time basis as well as ad hoc activities.

Refocused, Robust Defense Leadership and Management Program (DLAMP) Develops DoD Leadership Cadre

Defense Leadership & Management Program [E-mail us](#)

Since its inception in 1997, the Defense Leadership and Management Program (DLAMP) has been the Department's framework to develop senior civilian leaders. A centrally funded, comprehensive executive development program, DLAMP provides a unique opportunity to prepare for tomorrow by ensuring a capable leadership cadre is available to meet future needs.

During FY02 and FY03, DLAMP was refocused to be more flexible, cost-effective, and efficient in meeting short- and long-term requirements. The refocused program has now been fully implemented. Currently, with 1,130 active participants as of November 2004, and a plan to admit an additional 350 participants each year, DLAMP is making a difference throughout the Department of Defense. The following information provides a status update on the key

DLAMP elements: formal education, foundation courses, and professional military education.

Formal Education. Almost 100 participants are now pursuing a master's degree through the DLAMP David O. Cooke Fellowship (full-time study) and tuition assistance programs (part-time study) at accredited colleges and universities throughout the country. These students are primarily enrolled in business administration, management, public administration, and public policy programs. Other participants who have advanced degrees upon entering DLAMP are rounding out their executive skill-set with graduate courses in business management and public policy.

Foundation Courses. As a prerequisite to attendance at senior-level Professional Military Education, DLAMP participants take a 3-credit, on-line graduate course in national

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DLAMP Prepares a Capable Leadership Cadre for Future DoD Needs

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security studies. Also, key to the refocused program is the opportunity to attend two leadership development courses, designed to strengthen participants' Executive Core Qualifications for senior executive positions. In each course, participants receive a 360-degree assessment of their leadership skills, with individualized feedback and coaching.

Professional Military Education (PME). All DLAMP participants receive a thorough education in national security policy, studies, and decision-making. To that end, 91 participants are now attending a senior-level PME program at the National Defense University or one of the Senior Ser-

vice Schools (resident and non-resident programs). More than half of current DLAMP participants have already completed senior-level PME.

The CPMS web site at www.cpms.osd.mil/dlamp contains the completion requirements that were approved on July 23, 2004, for the refocused program. Eligible participants must complete an application for a DLAMP Certificate of Completion and then obtain approval and endorsement through their chain of command. Component DLAMP representatives can provide additional information about this process. The first completion ceremony under the refocused program is planned for December 15, 2004, in the Washington, DC, area.

Serving Those Who Serve the Nation NAF Employees Deliver Essential Quality of Life Services to Military Forces

NAF Personnel Policy Office

[E-mail us](#)

Did you know that almost 140,000 DoD employees are paid from funds that are not appropriated by Congress? DoD nonappropriated fund (NAF) employees work in military exchanges and morale, welfare, and recreation programs. They are paid from funds generated by those activities. NAF employees work at DoD locations all over the world, supporting our Military Services. You can find NAF employees selling shampoo, books, and snacks to deployed soldiers at an exchange in Iraq, or managing the lodging program for Service members at Shades of Green, the Armed Forces recreation center located at Disney World.

NAF employees work in a wide variety of jobs, including sales clerks, child caregivers, club managers, laborers, recreation assistants, accounting technicians, and senior executives. The Army and Air Force Exchange Service (AAFES) is the largest NAF employer. NAF personnel also work in the Army and Air Force morale, welfare, and recreation activities. Major NAF employers in the Department of the Navy include the Bureau of Naval Personnel, Navy Exchange Service Command, and U.S. Marine Corps.

NAF employees are Federal employees. However, they are not covered by most laws administered by the Office of Per-

sonnel Management, unless specifically provided by statute (e.g., blue-collar pay and labor relations).

The Secretary of Defense, through the Principal Deputy Under Secretary of Defense (Personnel and Readiness) and the Deputy Under Secretary of Defense (Civilian Personnel Policy), exercises discretionary authority over NAF personnel policies covering white-collar pay, employee benefits, classification, leave, staffing, and workforce relations. The DoD NAF Personnel Policy Division of CPMS develops and administers NAF personnel policy in collaboration with the Military Departments, and provides NAF employers with expert advisory and consultation services.



An AAFES employee, second from left, with military members deployed to Iraq (AAFES photo)

DoD human resources specialists frequently have questions about how to advise and process employees moving between DoD NAF and civil service positions. The CPMS reference guide, "Portability of Benefits for Moves between Civil Service and Nonappropriated Fund Employment Systems," contains answers to many of those questions. This reference guide is posted on the CPMS

web site at www.cpms.osd.mil/nafpapo. The guide, as well as other DoD NAF personnel policy documents on the web site, help take the mystery out of the personnel system that covers DoD's large and indispensable NAF workforce.



Air Force Customer Support Unit Databases Are Consolidated

Regionalization & Systems Modernization [E-mail us](#)

The consolidation of the Air Force Customer Support Unit (CSU) databases, used for providing reports from the Defense Civilian Personnel Data System (DCPDS), was completed during the week of October 4, 2004. This consolidation was the result of a three-month project that moved 93 separate Air Force databases from the field to a single Hewlett-Packard Superdome server located at Randolph Air Force Base, Texas. The Superdome supports two CSU database instances, allowing enhanced database refresh capabilities and increased uptime as well as making the database available virtually 24 hours a day for the Air

Force's worldwide operations and more than 175,000 employee records.

With the assistance of Lockheed Martin, Hewlett-Packard, and the Civilian Personnel Management Service, over the past year, the Air Force planned hardware changes, ran connectivity tests, and worked with the contractors to ensure nearly 99 percent system availability. More than \$6 million will be saved in replacement costs over the next few years. The Air Force plans to reuse the CSU field servers as print servers, thus providing Air Force human resources specialists better capability for printing forms and reports.

Federal Wage System (FWS)

How Wage Surveys Are Conducted & Wage Schedules Are Issued

Wage and Salary Division

[E-mail us](#)

The Department of Defense (DoD) conducts FWS (blue collar) wage surveys and establishes pay rates for regular and special FWS wage schedules. A key FWS principle (reference 5 U.S.C. 5341) is to align employee pay rates with prevailing rates for comparable private sector work in a local wage area. To carry out this principle, the Wage and Salary Division conducts annual wage surveys, analyzes data from private sector establishments, and determines local FWS wage schedules based on survey results presented to the DoD Wage Committee (DoDWC).

The DoDWC represents the interests of employers and employees within each survey area at the headquarters level. The Committee consists of a chair, management members from the Defense Components, and labor organizations with the largest number of Federal blue-collar workers, currently the American Federation of Government Employees and the Metal Trades Council.

Local surveys are conducted in each of 132 wage areas defined by OPM. Each survey operates on a two-year cycle: a full-scale survey with visits to businesses during the first year and a wage change survey by telephone during the second. Surveys may consist of a random sample or a universe of establishments, depending on the number of establishments in the survey area. Each survey involves a six-month time period from the initial designation of a host activity to the issuance of wage schedules.

As the lead agency, the Department designates a host activity. The host activity, in turn, designates the chair of the Local Wage Survey Committee (LWSC) that participates in wage survey activities. Each LWSC consists of a chair, a

labor member, and a management member, all of whom are Federal employees. The labor representative is recommended by the labor organization having the largest number of wage employees under the regular wage schedule. LWSC members have a two-year appointment period.



The LWSC conducts a public hearing four months before the survey so that interested parties can present information, requests, and recommendations pertinent to the survey process, e.g., area concerns, specific establishments or industries for inclusion, possible survey jobs, and pending state minimum wage increases. After discussion of items presented at the hearing, the LWSC forwards recommendations for each item to the Wage and Salary Division for consideration in the survey specifications process. All area specifications are presented to and approved by the DoDWC. Upon approval of the survey specifications, a list of establishments to be surveyed is compiled from company information obtained from the D&B Corporation (formerly known as Dun & Bradstreet).

The LWSC selects and appoints labor data collectors and additional management data collectors when necessary to augment Wage and Salary Division data collectors. The LWSC also arranges for training facilities, transportation for data collection, and logistical support.

The Wage and Salary Division analyzes wage data, develops paylines (i.e., wage trend lines) for DoDWC approval, and issues new wage schedules based on approved paylines.

Since FY 1979, successive Congresses limited the annual FWS wage adjustment to the annual GS pay adjustments

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New FWS Pay Schedules May Be Affected by Pending Legislation

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under 5 U.S.C. 5303-5304 or the prevailing rate, whichever was less. This changed in FY 2004 with the enactment of the Consolidated Appropriations Act, Sections 613 and 640 (b), Public Law 108-199, 118 Stat. 3 (January 23, 2004). Section 613 established a pay cap: FWS pay increases could not exceed 4.39 percent—the sum of the January 2004 GS across-the-board percentage adjustment and the difference between the overall average percentage locality payments for GS employees in FY 2003 and FY 2004. Section 640(b) set a floor increase: notwithstanding Section 613, the FWS pay adjustments could not be less than pay adjustments received by GS employees working at the same facility.

These changes created challenges in processing and imple-

menting wage schedules. The GS adjustments varied by GS-defined locality areas. Since FWS locality areas are defined differently, Section 640(b) resulted in certain FWS wage areas having more than one wage schedule in effect during FY 2004. Additionally, in some wage areas, applying the GS increase according to Section 640(b) resulted in FWS wages that were higher than the survey results subject to the pay limitation of Section 613.

The FWS increase for FY 2005 is undetermined at this writing. Assuming enactment of provisions like those discussed above for FY 2004 and issuance of OPM regulations, the new FWS wage schedules will be released with pay adjustments retroactive to the normal effective dates. Meanwhile, issuance of new FWS wage schedules has been delayed.

CPMS Personnel-ity Profile

Karl Fendt: Not All Champions Go to the Olympics

Karl Fendt denies any resemblance to gold medalist Michael Phelps, though they both live in Maryland and have a passion for swimming. "Montgomery County's swim league has about 90 teams in divisions that are ranked by performance, A through P," Karl says. Upon returning to the County in 1999 after graduating from Virginia Tech (1998; BS, marketing), Karl says, "I coached the summer swim league team that I had coached in college, and we moved up to the A division. The team just took off! I think I got lucky."

Karl no longer coaches, but he still swims regularly, as he did in his teens. "I lettered every year in high school, and we went to State every year. I was a sprint free-styler, no Olympic hopeful, but I was pretty decent."

A native of Hillsboro, NC, Karl joined the Wage and Salary Division in 1999 and has worked in all three areas: NAF, appropriated fund, and currently, special pay systems. The Special Pay Branch participates in the foreign national pay program, and "I deal with people all over the world. The people are really nice wherever I go," Karl adds. His next trip is to Canada, where he will be conducting a benefits survey. The challenge here is to understand Canadian benefits in depth, in order to ensure appropriate comparisons with DoD local national employee benefits.

Previously, Karl led a project to improve the efficiency of data entry for Overseas Educator survey data. The project was completed in time for the 2003-2004 school year survey and produced approximately \$8,000 in annual cost savings to CPMS.

Karl finds satisfaction in knowing that his work makes a difference in people's lives. According to Karl, it is gratifying to know that the DoD process for establishing pay schedules is fair, comprehensive, and well-informed. Unlike Michael Phelps, Karl Fendt has no Olympic aspirations. But for the employees whose lives he affects, can there be any doubt that Karl is a champion?

CPMS Employment Corner

CPMS job vacancies are posted on the Human Resources Operations Center (HROC) job opportunities web site at <http://www.hr.dla.mil/onjams/splash.htm>.

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